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WORKING PAPER

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Office of Reports and Estimates
Northern Branch

BRITISH DIVISION

UNITED KINGDOM

1. Notes on Britain's leaders

A notable number of the Government's leaders are abroad and/or unwell. Of the Big Four -- Attlee, Morrison, Bevin, and Cripps -- only the Prime Minister is at home, himself handling economic and foreign affairs (as well as Prime Ministerial) largely from a horizontal position because of illness. Morrison, not in robust health, has gone to Strasbourg for the Council of Europe Assembly meeting. Bevin, a sufferer from chronic heart trouble who has been recuperating in Eastern France, is also at Strasbourg. Cripps, at present the most acutely ill of the Ministers, is in a Swiss hospital until the end of August. Health Minister Aneurin Bevan, leftist Laborite leader, has reportedly succeeded Churchill at Lake Garda, Italy; and Commonwealth Relations Secretary Noel-Baker, is reportedly to convalesce in Norway following an operation.

Although junior ministers are largely carrying on the routine of the departed Cabinet members, the paucity of outstanding Laborite leaders, particularly in the generation behind Attlee and Bevin, is evident. For instance, the 80 year old Viscount Addison, who holds the sinecure office of Lord Privy Seal in the Cabinet, is filling in at the Commonwealth Relations Office for Noel-Baker.

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2. Future of UK-Egyptian relations brightened by Egyptian Cabinet change

Indications to date suggest that the recent improvement in Anglo-Egyptian relations will continue under the aegis of the new Egyptian cabinet. Ever since the poor showing made by its army against the Israelis, Egypt has been more willing to enter into military discussions with the British, partly in recognition of its need for external military aid in case of trouble, and partly in the hopes of securing additional armaments. The British, on their part, have been moving slowly (and still are), awaiting the result of the October elections when the Wafd, the opposition party, is expected to enter the Government. The new Government, though including the Wafd, is still regarded as an interim one and no formal Anglo-Egyptian agreement will result before the elections. At the same time the present Government may prepare the ground for a speedier accord thereafter. In general, as the Wafd's policy when last in power was favorable, the British feel that its inclusion in the Government augurs well.

3. British representation in the European Assembly

The appointment of Sir Gilbert Campion, an authority on British parliamentary procedure, as clerk of the Consultative Assembly of the Council of Europe, increases the likelihood that one of Britain's major contributions to this European experiment will be in the field of parliamentary skill and experience. Each member of the British delegation is an experienced parliamentarian, likely to favor the adoption of British parliamentary procedures, and the success of the Assembly in organizing efficient and useful procedures may largely determine the extent of continuing British support.

The British delegation to the Assembly is the only one containing a majority of Socialists (though the delegations of the three Scandinavian countries are 50% Socialist). However, the UK delegation will not automatically vote en bloc; [REDACTED]

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[REDACTED] When all 18 British votes agree, it will be the result of independent thinking leading to the same conclusion. While Socialists will have a nominal plurality in the Assembly, all the non-Socialists together will outnumber them by almost 2 to 1.

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Nevertheless, the consultative nature of the Assembly is widely recognized in the UK as minimizing the effects of potential conflicts in that body, and the initial obstacles to cohesive international ideological groupings will impede the early formation of powerful Socialist and anti-Socialist coalitions. At any rate, it seems likely that the Council of Ministers will initially direct the Assembly to consider European questions of little ideological import, to give the Council of Europe a good start and to observe its workings under the most favorable conditions.

4. US-UK differences on China trade policy

Within the US's and the UK's basic agreement on maintaining generally a common front in dealing with the Chinese Communists, differences between the two Governments persist on the nature of the trading restrictions which should be employed to lend leverage to Western policy in China. The US view is that items on the 1A list of strategic commodities, and many of those listed as 1B, should be subject to rigid control by the Western powers, as regards shipments both from their metropolitan territories and from colonial or other areas under their effective control. The UK view is that such restrictions go too far. With respect to items on the strategic 1A list the British are willing to extend export controls to transshipments from Hong Kong and Singapore, provided the French, Dutch, and Belgians institute similar controls on both shipments and transshipments from their territories. The British are unwilling, however, to apply export controls to commodities of only indirect strategic value. On these 1B commodities they will only "watch the flow of these items to the Chinese" and reexamine the position from time to time.

This British attitude seems to grow partly out of a general feeling that in its present trade plight the UK cannot afford to use trade embargoes freely as a political weapon, partly out of a specific conviction that with Hong Kong a potential hostage in the path of the Communist armies, the UK must keep a free hand for negotiations. If Hong Kong's China trade were already greatly reduced by embargo, the British would have correspondingly little to negotiate with. The British, therefore, are not likely to accept the US view on trade restrictions with China until convinced by one means or another that these really constitute a matter of the highest international concern.

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5. Consequences of the Amethyst's escape

The escape of H.M.S. Amethyst, after being ignominiously pinnned down for 14 weeks in the Yangtze should, the British consider, be a prestige-raising incident for the Western powers. The psychological effect was immediately evident in Hong Kong. At the same time, the British are fully aware that the escape cost the Chinese Communists "face" and that reprisals may therefore be attempted. In order to minimize any such possibility the UK will now take as conciliatory a line as possible in indicating readiness to discuss the affair and its implications with the Communist authorities.

COMMONWEALTH AND EMPIRE6. British on alert for Gold Coast trouble

Although the Tripoli report that a battalion of Grenadier Guards was about to proceed overland to the Gold Coast proved false, it remains true that British concern over possible disorders there has increased and the detachment in question had, in a recent reassignment of missions in Libya, been given the mission of being prepared to move if needed to the West African colony. London reports that there are no present indications of the actual transfer being necessary; the despatch of white units to the Gold Coast, where none are now stationed, is regarded by the British Government as an extreme measure which it would be "political folly" to employ unless the situation were clearly beyond the control of native troops. These native troops, however, are being strengthened, along with the Gold Coast police, with Africans instead of whites increasingly being used as non-commissioned officers.

The general Gold Coast political situation seems definitely less favorable to the British than six months ago. Kwame Nkrumah, the extremist native leader with Communist affiliations, is increasing his influence in the trade unions and also seems to be winning out over the more moderate leaders of the United Gold Coast Convention, the main organ of native nationalism. It now appears likely that either Nkrumah will gain control of the UGCC or else that the UGCC moderates, in order to head him off, will adopt a more anti-British line than their current one. At present they are cooperating in a study of possible constitutional reforms in the Colony; and publication of this report about 1 September may precipitate a new conflict with Nkrumah. The UK

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Colonial Office, though taking a serious view of Inkumah's potentialities for trouble-making, is still skeptical of his being under actual Communist orders, and considers that the main force the Government has to contend with in the Gold Coast is simply strong African nationalism of the parochial type.

Union of South Africa

7. Finance Minister dickering for £50 million loan from UK

Finance Minister Havenga's current negotiations in London for a sterling loan of around £50 million reflect South Africa's dire need of foreign capital to correct its deteriorating balance of payments position. Because the UK is desirous of maintaining its export trade and of further tightening Commonwealth ties in its own worsening economic situation the negotiations promise success, though South Africa, now that its need is desperate, may be compelled to accept stiff conditions. Reportedly to avoid jeopardizing the success of the London parley, the South African Government has postponed final gazetting of the Citizenship Act* which was unanimously attacked by the UK press as both anti-British and dangerously authoritarian in tendency.

By 15 July South Africa's gold and exchange resources have dwindled to £60 million or one-quarter the figure of a year ago, and all but £15 million of its £80 million loan to the UK of less than two years ago had been repaid. The new import controls imposed 1 July are expected to check the drain of exchange reserves, but downward readjustment of the national economy will continue until the controls have time to become effective and there is increased gold, industrial, and agricultural output. South Africa continues hopeful of relief through a US loan or a rise in the world gold price, but recognizes that permanent corrective measures in its own economy are necessary. After nearly a year of temporizing, the Union is now realistically preparing to accept a substantial measure of austerity and consume a smaller portion of the national income so that South Africa's contribution to its own capital requirements may be increased. The chances that a UK or US loan will be used effectively have correspondingly increased.

* See Northern Branch Weekly No. 70, 27 June 1949.

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IRELAND

3. Prospects of unifying Irish Labor movement seem brighter

Recent developments have somewhat brightened the prospects for an eventual unification of Ireland's bifurcated labor movement -- an action that would certainly increase labor's immediate influence on Government policy, although in the long run it would probably accentuate Right-Left divergence in the coalition. Behind the split in the movement lies a dispute as to whether Irish unions should be affiliated with British unions, as those of the Irish Trade Union Congress (ITUC) are, or completely independent, like those of the Congress of Irish Unions (CIU). Since the formation of the CIU in 1945, bitterness and recrimination between the two Congresses have increased, politics and personalities have become involved, and all efforts to restore unity have failed.

Last May an ITUC proposal of a unity conference got nowhere because of CIU insistence on prior acceptance of the principle that Irish unions should be free from "external domination". At its recent annual meeting the President of the ITUC criticized the CIU's attitude; but he added -- possibly hinting that his Congress was ready to compromise -- that in his opinion Irish trade union organization could stand examination and reorganization and that such examination could mend the breach. Circumstances now seem to strengthen the position of the CIU, and chances are that when unification comes it will be more on the CIU's terms than on the ITUC's. For several reasons the prospects of unification are now brighter than at any time since the split:

- (1) The ITUC has withdrawn from the WFTU. Affiliation with the WFTU was a major factor in the dispute that led to the split.
- (2) ITUC determination to remain affiliated with British unions has undoubtedly been weakened by the failure of the British labor movement to oppose the British Labor Government's Ireland Bill and by the pro-Partition sympathies of a group of ITUC unions in Northern Ireland.
- (3) A habit of cooperation has developed within the coalition Government between the Labor Party and the National Labor Party, political affiliates of the two Congresses.

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SCANDINAVIAN DIVISION

Norway

1. Commerce Minister's fears unfounded

The Norwegian Minister of Commerce, Erik Brofoss, is unwarrantedly worried over the dilatoriness of the Norwegian producer in exporting molybdenum to the USSR. He has stated that the USSR has indicated its dissatisfaction with the company's explanation (i.e. technical problems) for failure to speed up deliveries. The Minister expresses strong fears that the impasse may adversely affect commercial relations between the two countries and may result in suspension of wheat shipments to Norway. This would create ill-will between the two countries, and Norway's economic position would be weakened by the necessity of replacing USSR wheat with purchases from the dollar area.

Attempts to induce the molybdenum-producing company, which is under contract to supply the USSR, to proceed more rapidly have been without effect. However, the rate of delivery in 1949 compares favorably with previous performance, and the Soviet efforts to hasten delivery are probably only routine dealings between buyer and seller. The minister is laboring under a misapprehension in believing that the USSR insists on faster deliveries of molybdenum as a form of political pressure rather than because it actually needs the ore. As shown by earlier attitudes, the Minister of Commerce seems to be pathologically inclined to attribute political motives to any Soviet economic action.

Sweden

2. Swedish ball bearing production

Swedish production of ball and roller bearings, parts and accessories has increased appreciably during recent months and AB Svenska Kullagerfabriken (SKF) is working on plans to expand the capacity not only of its domestic plants but also of its subsidiaries in the UK and France. It appears that the USSR and the satellite countries are the most likely recipients of Sweden's increased bearing production.

1948 production of ball and roller bearings has been estimated at 10,730 metric tons with a value of 113.4 million kronor, of which 7,703 metric tons valued at 81.8 million kronor (71.7% of the total output) were exported.

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During the first quarter of 1949, output has purportedly risen sharply. Although exact figures for current production are not definitely known, official statistics reveal that during the first 5 months of 1949 exports rose more than 25% to 3,488 metric tons with a value of 30.3 million kronor, as contrasted to 2,753 metric tons, representing 30.6 million kronor during the equivalent period in 1948. If exports continue at this increased rate throughout 1949, total exports would amount to 9,635 metric tons (an increase of 1,927 metric tons) valued at 101.6 million kronor. Since it is not felt that domestic requirements will greatly exceed the 1948 level of 3,037 metric tons, it is probable that the greater part of the increase in production will go to export.

Except for Belgium, Holland, and the other Scandinavian countries, with minor requirements, all the producing countries of Western Europe are now self-sufficient in the production of bearings (except for small interchanges between them of special types of bearings) and have a surplus for export. On the other hand, Swedish SKF has stated that European markets lately have been more active than transoceanic markets; it has also indicated that foreign exchange shortages have adversely affected markets in Argentina and certain other countries and that sales have been obstructed in China and Indonesia. By a process of elimination and taking into consideration the shift to a buyers' market in bearings and the tendency of certain countries to buy within the sterling area the Soviet bloc, where the shortage has been critical, appears to be the most likely market for Sweden's expanded export of bearings.

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